



Alaska Faces Unique Health Care Challenges

The Commission's 2011 study of current health care challenges focused on understanding health care spending and cost drivers. Other challenges are described in prior year reports.

Alaskan Solutions for Better Health and Health Care

The Alaska Health Care Commission was established by the Legislature in 2010 to advise the State on policies for improving health and health care for all Alaskans. Commission members are appointed by the Governor.

The Commission is implementing the following strategy for building a plan to transform Alaska's health care system.

TRANSFORMATION STRATEGY

- I. Develop a vision of the ideal health care system
- II. Study current health care challenges to inform policy recommendations
- III. Build the foundation of a strong health care system
 - Statewide leadership
 - Health workforce
 - Health information
- IV. Design policies that enhance the consumer's role in health and health care through:
 - a) Innovations in patient-centered health care, and
 - b) Support for healthy lifestyles
- V. Measure progress

Health care cost increases in Alaska continue to outpace inflation.

- Health care spending in Alaska reached \$7.5 billion in 2010, a 40% increase over 2005. State government's portion of this bill was close to \$2 billion.
- At current trends health care spending is expected to double to more than \$14 billion by 2020. By comparison the wellhead value of oil produced in Alaska in 2010 was \$16.4 billion and is projected to be \$18.6 billion in 2020.
- Since 1982 the Anchorage Consumer Price Index increased 95%, while prices for medical care in Anchorage over that time period increased 320%.

Health care is increasingly unaffordable for our employers, families.

- At \$11,926 per employee, Alaska has the highest average annual cost for employee health benefits in the nation - twice what employers in the lowest cost state pay.
- Fewer Alaskan employers are offering employee health benefits, dropping from 35% to 30% of small employers between 2003 and 2010.
- The average cost of health care premiums in Alaska increased 51% for single coverage and 35% for family coverage between 2003 and 2010. The average annual commercial health insurance premium for family coverage in 2010 was \$14,230.
- Despite the fact that Alaskans utilize roughly the same amount of care, health insurance premiums are about 30% higher here than in comparison states.

Health care prices paid in Alaska are much higher than in comparison states*.

- Different payers (Medicare, Medicaid, Workers' Compensation, commercial health insurers, TRICARE, and the Veterans Health Administration) pay different prices for the same service.
- The average reimbursement for physician services in Alaska is 60% higher than in comparison states for all payers combined – 69% higher for commercial health insurers.
- The difference in reimbursement for physician services varies depending on specialty. For example, Alaskan pediatricians are paid 43% more, while cardiologists are paid 83% more.
- Commercial health insurance reimbursement for private sector hospital services is 37% higher than in comparison states; Medicare pays our private sector hospitals 36% more.
- Alaska's higher medical prices are due in part to higher operating costs for providers resulting from a higher cost of living, more costly employee benefits, transportation and shipping costs, fuel prices, and workforce shortages.
- Higher prices are also due to high physician pricing power compared to other states, and a high average operating profit margin for the private hospital sector.
- Low Medicare payment rates create upward pressure on prices for other payers.

Recommended Solutions – built on the above and prior year findings

Focus on value – increase the quality, effectiveness and efficiency of care for each dollar spent, from the patient's and consumer's perspective.

Ensure the best available evidence is used for making decisions. Support clinicians and patients to make clinical decisions based on high grade medical evidence regarding effectiveness and efficiency of testing and treatment options. Apply evidence-based principles in the design of health insurance plans and benefits.

* Washington, Oregon, Idaho, Wyoming, North Dakota, (and also Hawaii for hospital comparisons only).

The Commission's Vision for the Future, Goals and Guiding Values

VISION

Healthy Alaskans
*
High Value Health Care
*
Sustainable Health Care System
*
Satisfied Health Care Consumers and Providers
*

GOALS

- I. Improved Access
- II. Affordable Costs
- III. Safe, High Quality Care
- IV. Increased Prevention

GUIDING VALUES

- Sustainability
- Efficiency
- Effectiveness
- Individual Choice
- Personal Engagement

Enhance quality and efficiency of care on the front-end. Strengthen the role of primary care providers, and give patients and their clinicians better tools for making health care decisions. Improve coordination of care for patients with multiple providers, and care management for patients with chronic health conditions. Improve Alaska's trauma system.

Increase price and quality transparency. Provide Alaskans with information on how much their health care costs and how outcomes compare so they can become informed consumers and make informed choices. Provide clinicians, payers and policy makers with information needed to make informed health care decisions.

Pay for value. Design new payment structures that incentivize quality, efficiency and effectiveness. Support multi-payer payment reform initiatives to improve purchasing power for the consumer and minimize the burden on health care providers.

Build the foundation of a strong health care system. Ensure there is an appropriate supply and distribution of health care workers. Create the information infrastructure required for maintaining and sharing electronic health information and for conducting health care analytics to support improved clinical decisions, personal health choices, and public health.

Focus on prevention. Create the conditions that support Alaskans to exercise personal responsibility for living healthy lifestyles. High priorities include reducing obesity rates, increasing immunization rates, and improving behavioral health status.

Next Steps – during 2012 the Commission will...

Continue learning about current health care system challenges.

- **Pharmaceutical costs:** Compare prices for pharmaceuticals in Alaska across payer types to the comparison states and identify drivers of cost differentials.
- **Behavioral health:** Learn about the behavioral health care system in Alaska.
- **Malpractice reform:** Investigate the impact of the Alaska Medical Injury Compensation Reform Act of 2005 on medical professional liability insurance rates.
- **Federal health care reform:** Track implementation of the Affordable Care Act.

Consider additional strategies for future recommendations.

- **Reduce government regulations that hamper innovation and increase costs.** Identify state laws and regulations that create legal barriers to delivery and finance of the highest quality most affordable health care. Study alternative approaches to facilitate provider innovation while ensuring appropriate consumer and patient protections.
- **Enhance the employer's role in health and health care.** Identify the roles Alaska's employers can play in supporting the health of their employees and in their employees' access to health care. Study innovative approaches employers across the country are using to promote employee safety and health and to design health plans that improve care and contain costs.
- **Improve patient choice in end-of-life health care decisions.** Learn how improving quality of services and patient choice in health care decisions at the end of life can improve the patient's experience and contain costs.
- **Use technology to facilitate access to care.** Identify impediments to the use of telecommunications technology for improving access to health care, including barriers created by reimbursement, liability, licensure, and availability of tools. Design strategies to overcome barriers.

Please see the Commission's 2011 Annual Report for detailed findings and recommendations. For a copy of the 2011 and prior year reports and accompanying studies and reference materials, visit the web site at <http://hss.state.ak.us/healthcommission>.